

# Overview and History of the Michigan Telecommunications Act

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## Michigan Public Service Commission

In 1873, the Michigan Legislature established the Michigan Railroad Commission, with a single Commissioner, to regulate railroad rates and conditions of service. The Legislature expanded the Commission to a three-member body in 1909, to regulate rail and electric rates and conditions of service. The MRC's authority was extended to include **telephone service in 1911**.

In 1919, the Michigan Railroad Commission was replaced by the Michigan Public Utilities Commission, comprised of five members. The authority of the MPUC was expanded to regulate steam and natural gas. Regulation of water carriers (ferry services) was added in 1921; natural gas pipelines and petroleum pipelines in 1929; and motor carriers were added in 1933.

The Michigan Public Utilities Commission was replaced in 1939 by the Michigan Public Service Commission (MPSC) and in 1947 the Legislature reduced the body to a three-member panel, with members serving staggered six-year terms. In 1951, the Legislature required that not more than two Commissioners could represent a single political party.

## Telecommunications in Michigan

For the first seventy or so years under regulation, telecommunications was considered the classic case of natural monopoly. Rate regulation for telecommunications companies and services was in effect across most of the U.S. In the mid-1970's, the U.S. Justice Department filed antitrust lawsuits against the nation's dominant telcom company, AT&T, eventually resulting in the 1982 settlement under conditions granted by U.S. District Court Judge Harold Greene that lead to the break-up of AT&T and spawned the regional Bell operating companies.

- The break-up of AT&T spurred competition in long-distance telephone service, but did not immediately facilitate competition in local telecommunications markets.

Michigan policy makers were among the first to recognize that consumers could be better served by a competitive telecommunications industry. In 1991, the Michigan Legislature passed the Michigan Telecommunications Act (MTA), in an effort to improve opportunities for economic development and promote customer choice. The MTA revamped the MPSC's role in telecommunications regulation and was designed to promote competition in the marketplace.

Major telecommunications laws affecting Telecommunications in Michigan since the break-up of Ma Bell (original AT&T) in 1984:

**PA 305 of 1986** – sought to facilitate technological innovations like fiber-optic cable and wireless communication services.

**PA 179 of 1991** – major underpinning - introduced competition, Consumer Price Index rate regulation, authorized End User Common Line Charge (EUCL).

**PA 216 of 1995** – required rate balancing and unbundling, set terms for interconnection between providers.

**Federal Telecommunications Act of 1996** – sought to establish competition in local telephone service. Many observers say was patterned after Michigan's telecommunications legislation.

**PA 295 of 2000** – eliminated EUCL and imposed price freeze, increased slamming penalties, expanded local calling.

**PA 235 of 2005** – shifted the paradigm away from “facilitated” competition between companies to a system that facilitates competition between technologies.

**Changes in technology, more than anything else, have driven changes away from the “natural monopoly” models that guided telecommunications regulation for most of the 20<sup>th</sup> century, toward a less regulatory, more competitive industry over the last 20 years.**

### **Cable Video Franchising**

**PA 480 of 2006** – the “Uniform Video Services Local Franchise Act” was established to increase competition in the cable video (television) markets by creating a uniform approach to local cable franchises. Essentially, the act facilitates ease of entry into local cable video markets, among other things.

- Section 10 (3) – “The Commission shall submit to the Legislature no later than June 1, 2007 a proposed process to be added to this act that would allow the commission to review disputes which are not resolved under subsection (2), disputes between a provider and a franchising entity, and disputes between providers.”
- The proposed dispute resolution process has not been added to the act and many disputes remain unresolved.